

## Internal Revenue Service

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Department of the Treasury  
Washington, DC 20224

[Third Party Communication:  
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CC:INTL:B03  
PLR-128124-15

Date:  
September 10, 2015

TY:

Corp X =

Date 1 =

Date 2 =

Dear :

This is in response to your letter dated August 18, 2015, requesting a ruling that Corp X and its subsidiaries be permitted to change from the fair market value method to the tax book value method of asset valuation for purposes of apportioning interest expense.

The rulings contained in this letter are based upon information and representations submitted by Corp X and accompanied by the penalty of perjury statement which you executed. While this office has not verified any of the material submitted in support of the request for rulings, it is subject to verification on examination.

Corp X, a domestic corporation, is a fiscal year taxpayer that uses the accrual method as its overall method of accounting. Corp X is the common parent of a group of affiliated corporations that files a consolidated U.S. federal income tax return. Corp X has used the fair market value method of asset valuation for several years since tax year ended Date 1.

Corp X wishes to change to the tax book value method because complying with the fair market value method requirements has resulted in Corp X incurring significant costs both in terms of professional fees and costs related to the time incurred by company personnel to gather data and perform calculations. In addition, changing to the tax book value method provides less variability of results for Corp X and the Service.

Section 864(e) provides that all allocations and apportionments of interest expense shall be made on the basis of assets rather than gross income. Treas. Reg. §§1.861-8 through 1.861-12 and Temp. Treas. Reg. §§1.861-8T through 1.861-13T set forth the rules specific to the allocation and apportionment of interest expense. Temp. Treas. Reg. §1.861-9T(g)(1)(ii) provides that a taxpayer may elect to determine the value of its assets on the basis of either tax book value or the fair market value of its assets. Temp. Treas. Reg. §1.861-8T(c)(2) provides that, once a taxpayer uses the fair market value method, the taxpayer and all related persons must continue to use such method unless expressly authorized by the Commissioner to change methods.

Based solely on the information submitted and the representations made, Corp X may use the tax book value method of assets valuation for purposes of apportioning interest expense, pursuant to Temp. Treas. Reg. §§1.861-8T(c)(2) and 1.861-9T(g)(1)(ii), starting from tax year beginning on Date 2 and for all subsequent taxable years and for all operative sections, including sections 199 and 904 of the Code, pursuant to Treas. Reg. §1.861-8(f)(2).

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter.

This ruling is directed only to Corp X and its subsidiaries. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of the letter ruling.

Sincerely,

Richard L. Chewning  
Senior Counsel, Branch 3  
Office of Associate Chief Counsel  
(International)

cc: